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Subsidies. Will Try to "Mitigate" Impact * Agriculture Ministers Work Toward Formal Agreement on New
Agriculture Policy Framework * Canadian Stocks of Grain and Oilseeds Lower Except for Corn
...and MORE!!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

SEED AND PRODUCTS ANNUAL REPORT: Based on the April 24, 2002 Statistics Canada (STC) seeding intentions survey, in Western Canada, area seeded to canola is expected to increase for 2002/03 while the area seeded to soybeans is expected to decrease. Total production of oilseeds in Canada for 2002/03 is forecast to increase to 7.9 MMT from about 6.7 MMT in 2001/02, assuming slightly below-normal yields. The supply of oilseeds is forecast to decrease slightly due to low carry-in stocks and a reduced imports. In Canada, oilseed prices, except flaxseed, are expected to decline. For more information, see GAIN report CA2049.

MORATORIUM ON HOG BARNs IN QUEBEC: Last week, the Quebec government announced a temporary moratorium on the issuance of permits for new hog barns and hog barn expansions until June 15, 2002. A special committee has been formed comprised of representatives from the provincial agriculture and environment departments and farm groups. The government committee has been charged with developing an action plan to bring in new environmental rules for hog barns based on the principles of sustainable agricultural development which are scheduled to become effective June 16, 2002. All pending hog barn permits will be subject to the new regulations. The Quebec government, which has supported large hog operations over the past few years to help boost exports, has run into opposition from other residents and environmental groups who object to the odor and pollution from large hog farms. Quebec is Canada's most important pork producing province, accounting for about 30% of total hog numbers.

WESTERN CANADA MOST EFFICIENT IN FEEDER PIGS, BUT LOSING EDGE IN FINISHING

HOGS: Canada's George Morris Centre, an independent agricultural think tank, says in a report that western Canadian hog producers have the lowest production costs for farrowing, but the upper U.S. Midwest is gaining ground in the finishing area, due mostly to lower feed costs. "Especially in the western prairies, but to some degree in the eastern prairies now, barley prices have risen relative to US feed grain prices. That's partly weather related (wet weather in Manitoba in 2001 resulted in fusarium infected barley), but I think a lot of it's related to the US subsidies and the way they're carried out. I think, the US farm bill is unfairly subsidizing (U.S. hog) production. The second thing is this problem with vomitoxin," said Larry Martin, CEO of the George Morris Center. "People are growing barley in Western Manitoba, shipping it to Alberta to feed the cattle and then having to bring barley in from North-Central Saskatchewan to feed to the hogs because of the vomitoxin. This adds a cost of from seven to twenty dollars per (metric) ton to the cost of the feed. Those are the two things I think have negatively affected the relative cost of finishing hogs and they've had much less effect at the farrowing level."

GOODALE CALLS FARM BILL "FOUL" LEGISLATION: According to a May 2 *Canadian Press* article, the U.S. Farm Bill is a foul piece of legislation that must be fought by Ottawa, government House Leader and Minister responsible for the Canadian Wheat Board Ralph Goodale said in the House of Commons. "There is complete consensus on the Canadian side that it is a foul and insidious piece of legislation and that we must fight it by every means at our disposal," Goodale said. Howard Hilstrom, chief agriculture critic for the Canadian Alliance, said Goodale's remarks mean little because they contain no specific commitment to protect and compensate Canadian farmers from the subsidies. "The Liberal government has failed to protect Canadian farm families from massive U.S. subsidy programs," he said in a news release. "Any additional delay could be disastrous for our agriculture industry and rural Canada as a whole." In Saskatchewan, where the impact is expected to be dire, Liberal politician Jack Hillson said the federal government has an obligation to protect farmers. Federal Agriculture Minister Lyle Vancielief said Ottawa is looking at ways to mitigate any pressure the subsidies will put on Canadian farmers, but he did not provide any clear alternatives. Ottawa will continue to pressure the U.S. and ensure any moves south of the border are compatible with World Trade Organization rules, Vancielief said.

IS OTTAWA UP TO THE CHALLENGE OF TAKING ON THE U.S.?: The *Globe and Mail* reported on May

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3 that the Liberal government says it is preparing to go to battle with the U.S. on a variety of trade fronts as the dream of free trade collides with the reality of U.S. protectionism. The question is; Does Ottawa have the resolve and the ammunition to go toe to toe with our "allies" to the south? Agriculture Minister Lyle Vanclief, who met his U.S. counterpart, Ann Veneman, in Ottawa, has threatened to take the U.S. to the World Trade Organization (WTO) over huge increases to subsidies contained in a farm bill. According to the article, the U.S. seems unmoved by this somewhat idle threat. The WTO process seems to take forever and seldom seems to resolve anything. On May 2, the softwood lumber dispute intensified with Canada's Natural Resource Minister Herb Dhaliwal warning that Canada may fight back by throwing northern natural gas into the mix. The Liberal government is under increasing pressure to spend hundreds of millions -- if not billions -- of dollars to offset U.S. trade actions in softwood lumber and in agriculture. It is hard to say where all of this money will come from and how understanding the citizens of Canada will be when they are asked to contribute.

MINISTER VANCLIEF MEETS WITH USDA'S ANN VENEMAN: According to an Agriculture and Agri-Food Canada (AAFC) press release dated May 3, 2002, AAFC Minister Lyle Vanclief told U.S. Department of Agriculture Secretary Ann Veneman that the U.S. Farm Bill will be a protectionist measure that creates harm internationally and turns American farmers into wards of the state. "My messages to the United States Secretary of Agriculture Ann Veneman were clear: this Bill will undoubtedly provide U.S. farmers with incentives to over-produce, now even including pulse crops," said Vanclief. "I have again stated my concerns to Ms. Veneman about the damage this Bill will have on world agricultural trade, both in terms of world market prices and ongoing trade negotiations. "Not only will the Bill distort production and trade in grains, oilseeds and pulse crops, but we are also concerned about the impact of this Bill on the World Trade Organization (WTO) agriculture negotiations, and the objective of achieving agriculture reform. "The Bill's protectionist elements, like price-based subsidies and the introduction of a restrictive country-of-origin labeling requirement for meat and fish, will undermine the world trading community's long-standing efforts to move towards trade liberalization. This will only increase Canada's determination to press for global trade liberalization at the WTO, particularly for effective disciplines on trade-distorting domestic support and export measures." Vanclief advocated Canada's new policy direction at the meeting. The Agricultural Policy Framework (APF) is being developed with provinces and industry as an alternative to ad hoc subsidies by moving towards a forward-looking, risk management framework. In a related press release, Vanclief declared that ending "trade-distorting subsidies" would be Canada's top objective in the upcoming WTO negotiations. To view this press release, visit: <http://www.agr.gc.ca/cb/news/2002/n20503ae.html>

CANADA CAN'T MATCH U.S. SUBSIDIES. WILL TRY TO "MITIGATE" IMPACT: According to the May 6 edition of *Good Morning Ontario*, there is no way Canada can match the spend happy U.S. government's farm subsidy package but it will try to mitigate the impact, federal agriculture Minister Lyle Vanclief said on May 3 at the International Policy Council on Agriculture, Food and Trade convention. He wasn't forthcoming with any specific details. Canada just doesn't have the cash, or the will, to match the U.S. subsidies, which total US\$180 billion over 10 years "We can't match it," said Vanclief. "What we have to do is find ways to mitigate it and we will be seeking ways to do that." He said the American move will make it hard for the European Union to wean itself off price supports for farm products and could prompt developing countries to become more protectionist. It isn't even good for American farmers, he said. "Instead of encouraging American producers to reap the rewards of trade liberalization, the new farm bill will encourage them to harvest handouts from the American treasury." In a conference call on May 7, Vanclief said that the Government of Canada will seek to "challenge" the U.S. Farm Bill and "counter" its effects.

AGRICULTURE MINISTERS WORK TOWARD FORMAL AGREEMENT ON NEW AGRICULTURE POLICY FRAMEWORK: Canada's federal, provincial and territorial agriculture ministers made progress in Ottawa, May 6-7, toward signing an umbrella agreement on the proposed Agricultural Policy Framework (APF) for their annual meeting next month in Halifax. The APF has five key elements: (1) business risk management; (2) food safety and quality; (3) environment; (4) sector renewal; (5) science and innovation. An agreement next June would allow governments, in partnership with producers and other industry stakeholders, to continue with detailed discussion on the specific programs that will make up the framework. For more information, see GAIN report CA2059.

CANADIAN STOCKS OF GRAIN AND OILSEEDS LOWER EXCEPT FOR CORN: According to Statistics Canada, total stocks, including commercial and on-farm inventories, of all grains and oilseeds except corn were lower than 2001, according to recent surveys of farmers and commercial grain holders across Canada. The stocks figures parallel the production results for the 2001/02 crop year with declines reported for all grains and oilseeds except corn. Corn acreage and yields in Canada were higher than the 2000/01 crop year. For more information, see

COLD WEATHER DELAYS SASKATCHEWAN SPRING SEEDING: Cold weather has delayed spring seeding according to Saskatchewan Agriculture, Food and Rural Revitalization's weekly crop report. Freezing temperatures contributed to only 2% of the 2002 crop being reported seeded as compared to the five year (1997-2001) average of 10%. Farmers are now seeding all crops except flax and sunflowers. Field peas and chick peas are nearly 7% seeded. Seeding is most advanced in the southwest with almost 10% complete and the northern grainbelt reports less than one-half of one percent seeded. Seeding progress ranges between 1-4% in other areas. Topsoil moisture conditions improved in southeastern, northcentral and northwestern areas. Cropland topsoil moisture deteriorated slightly in other regions. Strong winds continue to cause soil drifting around the province.

CGC DROPS FOREIGN MATERIAL RULE ON FEED PEAS: According to *Canadagricultureonline*, the Canadian Grain Commission (CGC) plans to remove total foreign material (TFM) as a grading factor for Canada feed peas effective August 1. Under the new rules, TFM will still be assessed but reported separately as an item of analysis, not as a grading factor. Sellers and buyers of Canadian feed peas can thus negotiate their own specifications for TFM. Exporters have said the current grade, which allows a tolerance of up to 6% TFM, complicates their ability to negotiate sales with customers who are prepared to buy on TFM specifications higher than that level. Farmer groups, meanwhile, have said the 6% tolerance gives customers a "negative impression" of Canadian feed peas. The proposed change, recommended to the CGC by the Western Grain Standards Committee, is still subject to the usual regulatory amendment process. For more information, see the CGC website: http://www.cgc.ca/newsroom/trade_memos/2002/2002-06-e.htm

NO HUNGER FOR GM FOOD INFO IN CANADA: The May 2 edition of the *Globe and Mail* reported that a Canadian organization that has been providing information about genetically modified (GM) food is winding down its operations. The reason is that however much people tell pollsters they are interested in GM issues, in practice nobody seems to care much. The Food Biotechnology Communications Network (FBCN) was formally set up in 1999 by a consortium of government, industry and non- governmental organizations to deal with what was perceived as a public hunger for information about agricultural biotechnology. Initially, the organization was receiving upward of 300 inquiries a month. "At one time things were coming in fast and furious, [environmental activist David] Suzuki was talking about it [GM food], everyone was talking about it," said Diane Wetherall, executive director of FBCN. And at that time many of the public responses were passionately negative, what Ms. Wetherall typifies as "hate stuff." Now FBCN, which last year had a budget of \$400,000, is getting only about 30 inquires of any kind a month, and the hate stuff has been replaced with silence.

VANILLA COKE?..WHAT NEXT, BLUE PEPSI?: According to a Canada Newswire story, Vanilla Coke will be available in Canada just in time for summer and will be produced at plants across Canada. This week in the U.S., the Coca-Cola Company launched Vanilla Coke, the first new flavor extension of the Coca-Cola Classic brand in 16 years, but the fourth flavor innovation in colas for the world's most popular soft drink. Coca-Cola Canada introduced Diet Coke in 1982; Cherry Coke in 1986 and Diet Coke with Lemon in October 2001. Vanilla Coke will be supported by an integrated marketing program that will include television advertising debuting in Canada this summer. Also this week, PepsiCo Inc., unveiled a variation of its flagship cola drink, to be called Pepsi Blue. Whether the new blue soda will be manufactured and marketed in Canada is not clear..

Did You Know... that according to Statistics Canada, the area of dependable agricultural land (i.e., Class 1, 2, or 3) lost to urbanization in Canada over the last 25 years, is equivalent to the total land area of Prince Edward Island.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2055	This Week in Canadian Agriculture, Issue 16	4/25/2002
CA2056	Cattlemen's Assoc. Disappointed at Farm Bill Provisions on Labeling	5/03/2002

CA2057	Cross Border Investment in Agriculture	5/09/2002
CA2058	Grains and Oilseeds Stocks Down Except for Corn, Reports Statistics Canada	5/09/2002

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